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SUBJECT: BULGARIAN SOCIALISTS WIN: COALITION TALKS BEGIN; EXTREMIST GROUP ENTERS PARLIAMENT

Ref: (A) SOFIA 808, (B) SOFIA 931, (C) SOFIA 1020, (D) SOFIA 1036, (E) SOFIA 1114

1. (SBU) SUMMARY: The Bulgarian Socialist Party (BSP) won the June 25 general elections, though by a smaller margin than expected, and face tough coalition talks on the formation of the government. Official results show seven parties, including extreme nationalist group "Ataka", passed the four percent threshold needed to enter parliament. This is the most fragmented vote in post-communist elections, marked also by the lowest voter turnout (60 percent). Results gave the BSP 31.18 percent of the vote, ahead of PM Simeon Saxe-Coburg's party with 19.91 percent. The ethnic Turkish Movement for Rights and Freedoms (MRF) placed third with 12.45 percent, its best result ever. In the biggest surprise of the election, Ataka, which saw a surge in their support in the last weeks, won 8.21 percent of the vote. BSP Chairman Sergei Stanishev appealed for broad parliamentary support for a Socialist-led government as Bulgaria is in the last stretch to join the EU in 2007, but stressed the BSP will not join forces with Ataka. The group's rise is disturbing news for ethnically tolerant Bulgaria, which has not had an extreme nationalist group in parliament in post-communist times. The OSCE assessment mission found a few irregularities on election day, but not significant enough to affect the final outcome. END SUMMARY

#### SOCIALISTS FACE COMPLICATED COALITION TALKS

2. (SBU) As the biggest group in parliament, the Socialists will receive the first mandate from the President to form a government. With 98 percent of the vote counted, the Central Electoral Commission (CEC) gave the BSP 31.18 percent of the vote, which translates into 87 seats in the 240-seat parliament. This forces the BSP to seek support from Simeon's party and/or the ethnic Turkish MRF (Ref. A, C, E). Stanishev and other senior BSP officials told us they viewed a coalition with the ex-king's party as a stable option but expected tough coalition talks given Simeon's aspirations to retain the PM's post. The 39-year-old leader, who is also the party's PM nominee, said the BSP will insist on the PM post. MRF has already said it would join forces with the BSP, but the Socialists and MRF together fall short of a majority. The Socialists would need to include a third party in the coalition, or rely on support by individual NMSS or other MPs. Another numerically possible -- but unstable and far less likely -- coalition includes all five centrist and center-right groups, excluding Ataka and BSP.

#### SIMEON: DOWN BUT NOT OUT

3. (SBU) The NMSS received 19.91 percent of the vote, far below the 43 percent it won four years ago in a landslide victory. The NMSS is likely to have only 53 seats. Simeon, Europe's first monarch to regain power as PM, said he had no plans to return to Madrid, his previous home in exile. He said his party would take part in talks on the formation of the government. In contrast with his pre-election statements, Simeon did not specifically rule out a coalition with the BSP during an election night press conference (Ref. B, C, E).

#### EXTREMIST GROUP SURGES INTO PARLIAMENT

4. (SBU) In the biggest surprise of the election, the extreme nationalist group Ataka got 8.7 percent of the vote, which should translate into 22 seats, and ranked fourth ahead of the largest center-right group UDF. A coalition of five marginal nationalist groups, Ataka tapped into prejudice against the country's Roma and Turkish populations, successfully exploiting negative feelings among ethnic Bulgarians and taking advantage of recent incidents involving the Roma minority. The group, which campaigned under the motto "Let's Give Bulgaria Back to Bulgarians", opposes membership in the EU and NATO, is anti-Turkish and seeks closer ties with Orthodox Slav nations. Ataka, which brands all major parties as "political mafia", won the protest vote of extreme leftists and rightists who are frustrated with the status quo political leaders, as well as people living on the margins of society. The group's leader, Volen Siderov, a well-known journalist, is openly anti-Semitic and anti-U.S. (Ref. E). Some of Ataka's support appears to have come from the unreformed element of the BSP voters. Ataka's strong showing is an especially unfortunate outcome considering Bulgaria's solid record for ethnic tolerance.

#### BEST-EVER SHOWING FOR THE ETHNIC TURKS

15. (SBU) Another surprise of the vote is the strong third place showing of the MRF, a junior coalition partner in the current government. The MRF, which has almost a complete monopoly over the ethnic Turkish vote, fully mobilized its voters, both in Bulgaria and in Turkey. A possible BSP-NMSS coalition could, however, leave the MRF out of the next government.

#### FRAGMENTATION ON THE RIGHT

#### FORMING THE NEW GOVERNMENT

17. (U) Final official results are expected by Wednesday when all parties which passed the four percent threshold are assigned a number of seats in the 240-seat unicameral parliament. The President must convene the newly elected MPs for the first session of parliament within a month of the election. President Purvanov said, however, he would convene parliament at an earlier date. At an unspecified time, after political consultations are conducted, the President tasks the PM-designate of the largest parliamentary group to form a government. Stanishev said the BSP would move quickly, adding that the government might be formed as early as July 21. This scenario, however, may be overly optimistic and lengthy consultations are possible as the BSP searches for coalition partners. The incumbent government operates on a lame-duck basis until its successor is approved by the newly elected parliament.

18. (U) If parliament fails to approve the government line-up, or the PM-designate fails to propose a cabinet within seven days of being asked, the mandate goes to the second largest parliamentary group. If the second party fails to form a government, the President, at his discretion, tasks any of the other parliamentary groups to nominate a PM. Only if the third parliamentary group's PM-designate fails to form a government does the President appoint a caretaker PM and government, dissolve parliament and schedule new elections (Ref. D). This scenario, however, seems unlikely.

19. (SBU) COMMENT: The Socialist victory - although less than expected - makes it likely they will organize the next government. However, prolonged horse-trading will ultimately decide whether the NMSS and/or other party join the BSP, and who will take the PM post. Senior leaders in both the BSP and the NMSS see a coalition as the most stable and most appealing for the EU accession process. The key factor in coalition negotiations will be the issue of the PM's job and Simeon's willingness to step aside. At this point, the Socialists feel they won the election and are unwilling to leave Simeon in place. The strength of Simeon's desire to remain as PM is not known. Both the BSP and Simeon's party have pledged not to let Ataka into government, but other than that, all bets are off. There has been no post-election mention of Iraq by any party. Despite campaign statements to the contrary, Stanishev has told the Ambassador that changing the timeline for withdrawal from Iraq will not be an early priority for the Socialists. END COMMENT

TABLE: Distribution of seats in the new parliament - Central Electoral Commission data based on 98 percent of the vote counted.

Party	MP seats
Bulgarian Socialist Party (BSP)	87
National Movement for Simeon II (NMSS)	53
Movement for Rights and Freedoms (MRF)	28
Ataka	22
Union of Democratic Forces (UDF)	20
Democrats for Strong Bulgaria (Kostov's group DSB)	16
Bulgarian National Union (Sofianski's coalition BNU)	14

Majority in the 240-seat parliament is 121 MPs